**IBM** *e* business on demand™

# On demand business:
# The executive guide

**Y**our customers are demanding new levels of service. Your competitors are fighting harder for market share. And your stockholders are keeping their eyes on the bottom line. In a world of mounting business pressures, your company needs to constantly find new ways to increase productivity.

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*"Strategic agendas are based on productivity. Simply expressed, enterprises need an on demand business model that allows them to achieve new levels of productivity."*
     —IBM CEO Sam Palmisano

On demand business practices can help. By making your organization more responsive and efficient, they allow you to lower costs, increase efficiency and uncover hidden value in your company's operations.

While technology—especially the latest advances in network computing—is a key enabler of these benefits, IT decisions need to remain firmly rooted in the business needs of the organization. Unlike the failed paradigms of the dot-com era, this new model demands that technology align itself to strategy, not the other way around.

To operate on demand, your organization will need to transform the way it operates. You'll need to re-evaluate your business processes, your technological infrastructure and your corporate culture. And you'll need to be ready to make some far-reaching changes. The good news is that you can begin this transformation on a small scale. Integrate a single vertical silo (your payroll systems, for example), or a single process, and you'll begin building value quickly. Reinvest those rewards in the next business improvement, and you'll begin a cycle that can keep your company competitive for years to come.

This guide will give you a quick overview of the history, the benefits and the how-to's of on demand business. To learn more, visit the IBM e-business on demand Web pages at http://www.ibm.com/ebusiness.

## What is an on demand business?

*"An enterprise whose business processes—integrated end-to-end across the company and with key partners, suppliers and customers—can respond with speed to any customer demand, market opportunity or external threat."*
     —Sam Palmisano

This is IBM's definition of an on demand business. Let's look at it in more detail:

"An enterprise whose **business processes**…"
Improving processes is what on demand business is all about. Technology is key to enabling those processes, but the ultimate success of your implementation will depend on the way you transform your business.

"…**integrated**…"
Integration is the key to this transformation. The power of on demand business lies in its ability to break down barriers, speeding the flow of processes and information within an organization.

"…**end-to-end** across the company and with key partners, suppliers and customers…"
On demand integration begins within the company, but can expand to encompass your entire internal organization as well as the businesses you work with. The wider it goes, the greater the benefits.

"…can **respond with speed**…"
The ability to quickly sense and respond to changes in the marketplace is one of the most crucial benefits of on demand business. Why is this important? The next phrase has the answer:

"…to **any customer demand**, **market opportunity** or **external threat**."
Today's business environment is fast-moving and unpredictable. On demand integration gives companies the flexibility to dodge obstacles and seize opportunities without losing speed or efficiency.

## Integrate. And keep integrating.

Integration is going to be the key to your on demand transformation. How does it help? It lets your sales people get the same customer information as your support people. It lets manufacturing know what R&D is doing long before it hits the factory floor. It connects your corporate planners to your distributors so you can figure out the holiday-season sales leaders in March. It keeps your entire organization on the same page. It lets big businesses move like small companies, and small companies realize economies of scale like big businesses.

There are three levels of integration. Here's how they work:
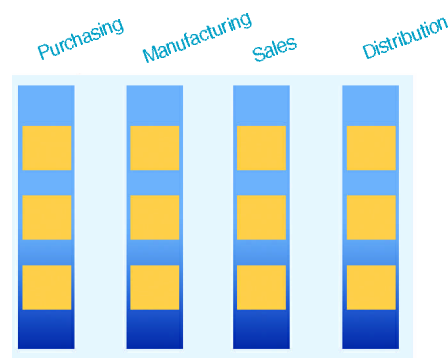


*Vertical integration. Removing the silos that impede the flow of information within a single process or line of business makes that vertical more productive. Organizations can reinvest that added value to improve another vertical, then another, then another...*

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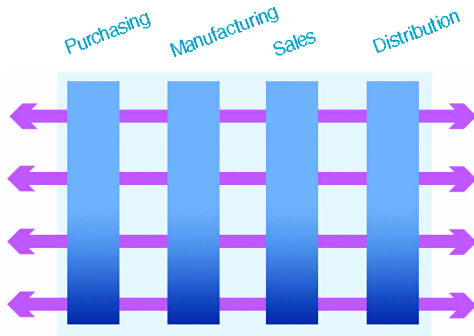
*Horizontal integration. Connecting processes within the organ - ization—from purchasing to distribution—allows companies to seamlessly move products and information across lines of business, saving time and reducing waste.*
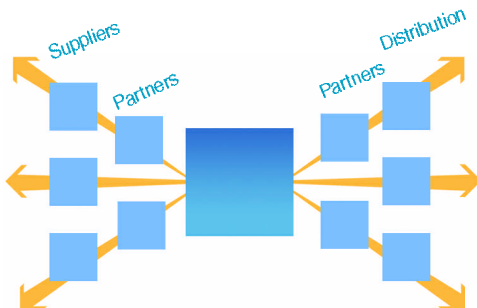


*Integration across the value chain. By closely aligning them - selves with suppliers, distributors and strategic partners, on demand businesses can create symbiotic relationships that save money and allow everyone in the value chain to focus on their core competencies.*

## On demand business is a journey. Not a destination.

You're not going to wake up one day and find yourself with an on demand business. It's an ongoing journey—one that's been going on for decades. Since the beginning of the IT industry, companies have used advancements in computing to build more efficient business models.

It started with the mainframe. Inventory, payroll, reservations…it allowed back-office processes to happen faster, with less over- head. This newfound efficiency started a revolution. But it wasn't enough. As demand on mainframe systems grew, companies looked for ways to take that power and put it in the hands of indi- vidual departments, and individual employees.

Enter the era of client-server. Minicomputers and, eventually, PCs allowed companies to make employees more productive, and to integrate systems vertically on a small scale. But it wasn't enough. As the business environment grew more complex and the markets more competitive, companies began looking for ways to create productivity across the organization—to find new efficiencies, new economies of scale, and new value in the resources they had already paid for.

The power of the Internet made that happen. Resources on the other side of the world became as accessible as the departmental LAN. Large companies could connect globally, and smaller com- panies could integrate with partners regardless of distance. But it wasn't enough. The Internet bust proved that technology by itself can't create success. Companies are looking for ways to pull real business value from the network.

Welcome to the on demand era.

| Technology era | Mainframe | Client/server | | Network |
|---|---|---|---|---|
| Business objective | Administrative productivity | Personal and departmental productivity | | Organizational productivity |
| Level of integration | (Batch processing) | (Department LANs) | Limited, vertical, along LOBs | Complete, Horizontal, across value nets |

*The evolution of on demand business. Since the introduction of the mainframe, organizations have used technology to drive business value. As IT has evolved, so have corporate goals. From an era of isolated, batch-processing behemoths to today's Internet-enabled planet, improved connectivity has enabled broader integration, which in turn has led to greater leaps in productivity.*

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## Why become an on demand business?

*"At the end of the day, on demand is about enterprise-wide horizontal integration to drive a whole new level of productivity. This is the strategic agenda that we're going to be wrestling with over the next few years, and an on demand business design is what will give us the productivity to drive competitive advantage."*
— Sam Palmisano

To stay competitive, your business needs to perform faster, leaner and more productively than ever before—to meet demands and dodge obstacles that barely existed five years ago. On demand business can help you rise to these challenges—with strategies and IT-enabled solutions that allow your organization, no matter what its size, to:

In an environment of slower economic growth, you need to do more with less. On demand business strategies drive productivity by:
• Increasing the speed at which companies can sense and respond to market changes.
• Increasing organizations' flexibility so that they can better take advantage of new opportunities.
• Incorporating the latest technology in a way that's driven by business considerations.

*"The first effort in our industry is to get cost out first…and then all the other stuff is nice. If I can't get cost out, I can't do anything else."*
— CIO, engineering/construction company

**Shorten time to value.** Long-term benefits are no longer enough. On demand business allows you to implement IT solutions that speed ROI while still providing long-term cost savings.

**Experience economies of scale.** Outsourcing, improved supply chain management and other techniques allow companies to achieve economies of scale without actually scaling up. On demand business lets you take advantage of these new opportunities.

*"We had done outsourcing before…But we wanted to move a major portion of our care facilities into the hands of a partner who was going to bring two things. One is technology that we didn't have, didn't want to invest in, didn't figure was going to be core. The other thing was efficiencies and processes. So we wanted to get cost out and we also wanted to—all at the same time—improve that whole platform."*
— CIO, communications company

**Deliver operational excellence.** In an era where your customers expect flawless service 24 hours a day, operational excellence is a necessity. All businesses will compete around it. Consumers will demand it. Your company's survival will depend on it.

## Moving forward: Considerations and next steps

*"…we have spent the last 10 or 15 years vertically integrating our businesses. We all have new ERP systems…new CRM systems, HR systems. But all of those have been built around vertical silos, product silos or functional areas. As we move to this next era, we see the productivity gain is by integrating those processes horizontally."*
— Mike Lawrie

IBM research has shown that most companies have moved through the early stages of integration and are just beginning to operate on demand. How can you speed your journey along? Here are some suggestions:

**Start from the top.** Operating on demand will involve fundamental changes in the way your company does business. Horizontal integration—across "vertical silos, product silos or functional areas"—can only be driven from the top levels of an organization.

**Examine the structure of your organization.** You've probably already identified some areas of inefficiency in your business. Here are some questions to help you do a more detailed analysis:

• Decentralized or shared? Which of your processes should continue to be decentralized? What ones can be shared globally or across business units?

• Onshore or offshore? Which processes can be moved to another country? Which processes could be optimized if they were done worldwide?

• Core or peripheral? Which processes are absolutely fundamental to your company's value generation? Which ones could be outsourced to a partner with more expertise.

**Make IT part of your business strategy.** The productivity gains that come from on demand business are powered by the interaction of IT and strategy: Technology enables business decisions, and business decisions drive technology implementations. You need to get the two working together. A good place to start is to…

**Establish a clear governance model.** Encourage collaboration between IT and LOB leaders by assigning clear ownership of processes, based on executives' roles.

**Make business transformation pay for itself.** Start small. As you streamline one process, you can invest the savings in the next effort. Follow this plan and your on demand transformation can become self-funding.

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## Why IBM?

The on demand journey can be a tough one. You might need a guide. Depending on where you're starting, you might also need a translator, a pilot and a team of sherpas.

We can help.

IBM has the depth of experience, the industry insight and the technological know-how to help you compete in an on demand world. We understand how IT and business processes interact. We know the ins and outs of implementation and we get results. And since we've spent years putting on demand business to work in our own company, we have first-hand experience of the challenges and the rewards that come when you transform your business.

## What should you do now?

Share this guide with your colleagues. Start examining your organization. And for more detailed information about on demand business, visit our Web site:

http://www.ibm.com/ondemand

You can email us from the site, or call us at 1-800-IBM-7080 ext. SEEITNOW

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